

**SHENYIN WANGUO RQFII A SHARE STRATEGY FUND
(A SUB-FUND OF SWS STRATEGIC INVESTMENT FUNDS)**

SEMI-ANNUAL REPORT (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017

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MANAGEMENT AND ADMINISTRATION

Manager

Shenwan Hongyuan Asset Management (Asia) Limited
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Hong Kong

Directors of the Manager

Zhu Minjie
Chen Xiaosheng
Lee Man Chun Tony
Guo Chun
Qiu Yizhou

Trustee and Registrar

Bank of Communications Trustee Limited
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121 Des Voeux Road Central
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Auditor

PricewaterhouseCoopers
21/F Edinburgh Tower
15 Queen's Road Central
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Legal Adviser

Deacons
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RQFII Custodian

Bank of Communications Co., Ltd.
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Investment Adviser

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Hong Kong

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REPORT OF THE MANAGER

Market Review

A share saw gradually picked up in the first half of 2017, though still underperformed its global peers especially compared with other emerging markets. Despite Moody downgraded China in May, recent months economic data showed that China economy was still in good shape, and MSCI's decision to include A share into its index also brought positive momentum for A share from June. RMB appreciated during first half of 2017, which was also supportive for Chinese equity markets. From regulation perspective, government continued to apply tightening measures to prevent systematic risk, while PBoC also managed liquidity in order to maintain a stable monetary environment.

Central banks of major economies has gradually withhold from monetary loosening policies due to global economies recovery, and US Fed also raised rates twice during first half of 2017. However, due to political setbacks of Donald Trump in pushing his new policies, "Trump Trade" gradually receded and USD index dropped significantly to 95.6 as end of June 2017, while stronger than expect domestic economic data was also supportive for RMB. As a result, RMB appreciated during first half of the year, with onshore RMB/USD reached 6.78 as end of June 2017.

US economy remained on improving track during the year, though expectation for US Fed rate hikes pace softened after hike twice in the first half of 2017, as US inflation was still moderate and setbacks of Donald Trump also brought questions for higher growth and inflation in near term. Domestically, China PMI data picked up again in June, showing economy was more resilient than expected, despite Chinese government has started to impose cooling measures to prevent overheating on the property market since end of last year.

Portfolio Review

The fund's NAV was up by 14.56% during the year, outperformed CSI 300's performance of up 10.8% during the period, thanks to our overweight on outperformed sectors such as Home Appliance and F&B, and RMB appreciation also contributed to our outperformance. We continued to leverage our sector allocation and cherry picking skills, and overweighted companies whose solid earning is deliverable, with multiple re-rating potential, to catch up with the market rebound.

Market Outlook and Portfolio Strategy

We remain constructive on market performance in near term, and believe sectors rotation may become more frequent for A share market in 2H17. China economy is still on healthy recovery track, and RMB continues to appreciate, both supportive for the market in near term. Domestically, we will continue to closely monitor the sustainability of economy recovery, market liquidity situation and financial regulation; while externally, we will follow factors such as the pace of US rate hike pace and balance sheet normalization, US new president's protectionism policies, and other geopolitical events.

We remained high equity position in near term. For the stock position, we prefer quality equities and dividend growers in current market environment. We will focus more on in-depth research on stock picking, trying to find those investment opportunities with solid performance in medium to long term.

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**STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 JUNE 2017**

	30 Jun 2017 RMB	31 Dec 2016 RMB
Assets		
Cash and cash equivalent	692,997	755,071
Investments	42,601,228	7,396,669
Interest receivable	18	23
Deposits	10,792	2,139
Prepayments	2,749	-
Total assets	<u>43,307,784</u>	<u>8,153,902</u>
Liabilities		
Amounts due to brokers	12,495	327
Amounts payable on redemption	94,760	-
Management fee payable	51,508	10,144
Trustee fee payable	13,603	14,018
Sub-custodian fee payable	3,090	609
Other payables and accruals	266,362	690,701
Total liabilities	<u>441,818</u>	<u>715,799</u>
Net assets attributable to unitholders	<u>42,865,966</u>	<u>7,438,103</u>
Net asset value (calculated in accordance with the Sub-Fund's explanatory memorandum)		
Class A HKD Units	42,865,966	7,438,103
Adjustments for preliminary expenses recognised	399,197	449,442
Net assets attributable to unitholders (calculated in accordance with the Sub-Fund's explanatory memorandum)	<u>43,265,163</u>	<u>7,887,545</u>
Number of units in issue		
Class A HKD Units	522,332.825	105,441.813
Net asset value per unit (calculated in accordance with the Sub-Fund's explanatory memorandum)		
Class A HKD Units	HKD95.394	HKD83.273

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**INVESTMENT PORTFOLIO (UNAUDITED)
AS AT 30 JUNE 2017**

Investments	Holdings	Fair value RMB	% of net asset value
Listed Equity securities			
China			
China Merchants Energy Shipping Company Limited	300,000	1,548,000	3.58
China Molybdenum Company Limited	200,000	1,012,000	2.34
China Pacific Insurance Group Company Limited	50,000	1,693,500	3.91
China Shenhua Energy Company Limited	80,000	1,783,200	4.12
COSCO Shipping Energy Transportation Company Limited	200,000	1,326,000	3.06
COSCO Shipping Holdings Company Limited	300,000	1,605,000	3.71
COSCO Shipping Specialized Carriers Company Limited	240,000	1,492,800	3.45
Digital China Group Company Limited	15,000	366,750	0.85
Great Wall Motor Company Limited	110,000	1,461,900	3.38
Hisense Kelon Electrical Holdings Company Limited	130,000	2,237,300	5.17
Jiangsu Hengrui Medicine Company Limited	47,904	2,423,463	5.60
Kweichow Moutai Company Limited	6,500	3,067,025	7.09
Midea Group Company Limited	46,000	1,979,840	4.58
New China Life Insurance Company Limited	38,000	1,953,200	4.51
Ningbo Marine Company Limited	80,000	420,000	0.97
Offshore Oil Engineering Company Limited	150,000	936,000	2.16
Ping An Insurance Group Company of China Limited	50,000	2,480,500	5.73
Qingdao Haier Company Limited	150,000	2,257,500	5.22
SAIC Motor Corporation Limited	57,000	1,769,850	4.09
Shanghai Pharmaceuticals Holding Company Limited	100,000	2,888,000	6.68
Wanhua Chemical Group Company Limited	100,000	2,864,000	6.62
Wuliangye Yibin Company Limited	50,000	2,783,000	6.43
Yunnan Baiyao Group Company Limited	24,000	2,252,400	5.21
Total investment portfolio, at fair value		42,601,228	98.46
Other net assets		663,935	1.54
Net assets value as at 30 June 2017 (calculated in accordance with the Sub-Fund's explanatory memorandum)		43,265,163	100.00
Total investment at cost		37,365,774	

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**STATEMENT OF MOVEMENT IN PORTFOLIO HOLDINGS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

	% holdings of net assets as at 30 June 2017	% holdings of net assets as at 31 December 2016
Industry sector		
Basic Materials	8.96	-
Communications	-	2.67
Consumer, Cyclical	29.11	20.97
Consumer, Non - cyclical	24.33	6.35
Energy	6.28	11.90
Financial	14.16	14.95
Industrial	14.77	29.71
Technology	0.85	7.23
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Total investment portfolio	98.46	93.78
Other net assets	1.54	6.22
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Net assets	<u>100.00</u>	<u>100.00</u>